

**ORIGINAL** NEW APPLICATION



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Attorneys for East Slope Water Company

AZ CORP COMMISSION  
DOCKET CONTROL

**BEFORE THE ARIZONA CORPORATION COMMISSION**

Arizona Corporation Commission

**DOCKETED**

MAY -7 2010

**COMMISSIONERS**

KRISTIN K. MAYES, CHAIRMAN  
GARY PIERCE  
PAUL NEWMAN  
SANDRA D. KENNEDY  
BOB STUMP

DOCKETED BY

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W-01906A-10-0183

CONSOLIDATED APPLICATION OF  
EAST SLOPE WATER COMPANY, INC.;  
INDIADA WATER COMPANY, INC.; and  
ANTELOPE RUN WATER COMPANY  
FOR AUTHORITY TO INCUR LONG-  
TERM DEBT

Docket No. W-01906A-10-

**FINANCE APPLICATION**

Pursuant to A.R.S. § 40-301 *et seq.* and A.A.C. R14-3-106(F), the East Slope Water Company, Indiada Water Company, and Antelope Run Water Company ("Companies" or "Applicants"), hereby apply for authority to incur debt to finance water system improvements. This application is consolidated for financial purposes because the Companies are seeking to consolidate into one entity as well. To be clear, the Companies are proposing that the East Slope Water Company will be the entity that will continue to operate the water systems if the Arizona Corporation Commission ("Commission") approves the proposed asset transfers.

1 **PRELIMINARY STATEMENT**

2 East Slope Water Company ("Company"), is a public service corporation subject  
3  
4 to regulation by the Commission as a water utility. The Company holds a Certificate of  
5 Convenience and Necessity ("CC&N") in the area of Sierra Vista, Arizona.

6 The Company is seeking to finance improvements to water production and  
7  
8 distribution systems, which will cost an estimated \$3,000,000.00. The Company  
9 previously applied to the Water Infrastructure Finance Authority ("WIFA") for a loan to  
10 finance the requisite equipment improvements and WIFA placed the Company on its  
11 2010 Drinking Water Revolving Fund Priority List. However, the Company anticipates  
12 filing a substantially revised WIFA 2011 Priority List Application because the Company  
13 is seeking to consolidate with two neighboring water companies (Indiada Water  
14 Company and Antelope Run Water Company), as well as limit its debt. Accordingly, the  
15 Company is requesting authority to borrow no more than \$3,000,000.00 from WIFA to  
16  
17 make system improvements to the proposed consolidated systems.  
18

19 **INFORMATION REQUESTED ON APPLICATION FORM**

20  
21 **1. Applicant's Name and Address.**

22 East Slope Water Company  
23 Bonnie O'Connor  
24 P.O. Box 85160  
25 Tucson, Arizona 85754  
26 Telephone: (520) 623-5172  
27 Facsimile: (520) 792-0377  
28

1     **2.     Person Authorized to Receive Communications.**

2         Steve Wene, Esq.  
3         Moyes Sellers & Sims Ltd.  
4         1850 North Central Ave., Suite 1100  
5         Phoenix, Arizona 85004  
6         Telephone: (602) 604-2189  
7         Facsimile: (602) 274-9135

8     **3. Financing Description.**

9         If the Commission authorizes the proposed debt, then the Company will seek to  
10        finalize with WIFA a \$3,000,000 loan for 20 to 30 years through the Drinking Water  
11        Revolving Fund. WIFA does not offer finance terms until the Commission authorizes  
12        water providers like the Company to incur debt. The Company understands that the  
13        Commission and WIFA have a standard working arrangement to accommodate WIFA's  
14        loan practices. Accordingly, Commission staff may want to contact the following WIFA  
15        staff person:

16            Angie Valenzuela  
17            Senior Loan Officer  
18            Water Infrastructure Finance Authority  
19            1110 W. Washington Street, Suite 290  
20            Phoenix, Arizona 85007

21     **4.     Proceeds Statement.**

22         Gross proceeds will be \$3,000,000. WIFA has a combined interest and fee rate  
23        structure, so there are no issuance expenses. This means that the Company will net  
24        \$3,000,000.00 from the proposed loan.

25     **5.     Plant to be Acquired Using Net Proceeds.**

26         The proceeds will be used to interconnect the systems and make other reasonable  
27        improvements as identified in the Opinion of Probable Costs set forth in Exhibit 1.

28     **6.     Consistency with A.R.S. § 40-301 *et seq.***

       The proposed financing is: (a) within the Company's corporate powers; (b)  
       compatible with the public interest; (c) compatible with sound financial practices;

1 (d) compatible with the proper performance by the applicant of service as a public service  
2 corporation; and (e) will not impair the Company's ability to perform that service.

3 **7. Service Fees.**

4 WIFA does not charge service fees. Under WIFA's combined interest and fee rate  
5 structure, the Company anticipates paying a fixed interest rate of prime plus 2%  
6 multiplied by a subsidy rate index set by WIFA.

7 **8. Documents to be executed in the matter.**

8 There are no documents to be executed in the matter at this time.

9 **9. Pro Forma Balance Sheet and Income Statement.**

10 A Company pro forma balance sheet is attached as Exhibit 2. A Company  
11 pro forma income statement is attached as Exhibit 3.

12 **10. Customer Notice.**

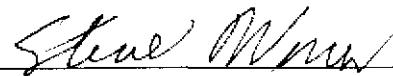
13 The Commission required notice will be inserted in the customers' next bill. The  
14 Company will file with the Commission a copy of the actual notice sent and an affidavit  
15 stating when it was sent to the customers.

16 **REQUEST FOR APPROVAL**

17  
18 As set forth in this Application, the Company requests that the Commission  
19 authorize the financing described herein.

20 DATED this 7<sup>th</sup> day of May, 2010.

21  
22 **MOYES SELLERS & SIMS LTD.**

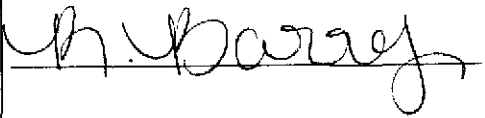
23   
24 Steve Wene  
25 Attorneys for East Slope Water Company  
26

27 ////

28 ////

1 Original and 13 copies of the foregoing  
2 filed this 7<sup>th</sup> day of May, 2010, with:

3  
4 Docket Control  
5 Arizona Corporation Commission  
6 1200 West Washington  
7 Phoenix, Arizona 85007

8   
9

# EXHIBIT 1

**EAST SLOPE WATER COMPANY**  
**OPINION OF PROBABLE COST**  
(Consolidated with Antelope Run Water Company and Indiada Water Company)

ITEM NO.	ITEM DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	EXTENDED PRICE	NOTES
	Zone 1 (currently East Slope main system) New Transmission and Distribution mains					
1	4 inch Class 200 PVC Pipe	28,000	LF	\$18.00	\$504,000.00	Replace old 2 inch distribution pipe between Camino Principal and Glenn rd.
2	New Transmission 6 Inch Class 200 PVC Pipe from	4,700	LF	\$28.00	\$131,600.00	Install to fill new 250,000 gallon storage tank
3	12 inch Class 200 PVC pipe	6500	LF	\$65.00	\$422,500.00	New interconnection line between East Slope and existing Antelope Run
4	Jack and Bore	300	LF	\$1,700.00	\$510,000.00	Jack and Bore under HWY 92 to interconnect Zone 1 to Zone 2
5	Well site 4 Improvements					
6	250,000 gallon storage tank	1	LS	\$1.00	\$250,000.00	New storage tank at well site 4
7	Onsite Generator 350 KW	1	LS	\$64,500.00	\$64,500.00	Backup power at well site 4
8	Booster pumps	2 @ 350 gpm	EA	\$877.00	\$1754.00	Replace old pumps at well site 4 to distribute water to the zone 1 East Slope system.
9	Fittings, valves, check valve and manifold set up	1	LS	\$15,000.00	\$15,000.00	This is for well site 1 only
10	Electrical	1	LS	\$45,000.00	\$45,000.00	Upgrade electrical at well site 1
	Subtotal				\$1,944,354.00	
	Zone 2 (currently Antelope Run water) Transmission and Distribution mains					
1	4 inch Class 200 PVC Pipe	2,500	LF	\$18.00	\$45,000.00	Replace old 2 inch distribution pipe throughout the system between Kachina trail and Poncho Trail
	Well site 3 and 5 Improvements					
2	150,000 gallon storage tank	1	LS	\$1.00	\$150,000.00	New storage tank at well site 3 and 5
3	Onsite Generator 350 KW	1	LS	\$64,500.00	\$64,500.00	Backup power at well site 3 and 5
4	Booster pumps	2 @ 350 gpm	EA	\$877.00	\$1754.00	Install new pumps to transfer water to Poncho Trail booster site
5	Fittings, valves, check valve and manifold set up	1	LS	\$15,000.00	\$15,000.00	This is for well site 3 and 5 only
6	Electrical	1	LS	\$45,000.00	\$45,000.00	Upgrade electrical at well site 3 and 5
	Poncho Trail Booster site					
7	50,000 gallon storage tank	1	LS	\$1.00	\$50,000.00	New storage tank at booster site from well site 3 and 5
8	Booster pumps	2 @ 350 gpm	EA	\$877.00	\$1754.00	Replace old pumps to distribute water to the system from this site.
9	Electrical	1	LS	\$45,000.00	\$45,000.00	Upgrade electrical at Poncho Trail booster site
10	Onsite Generator 350 KW	1	LS	\$64,500.00	\$64,500.00	Backup power at Poncho Trail booster site
11	Fittings, valves, check valve and manifold set up	1	LS	\$15,000.00	\$15,000.00	This is for Poncho Trail booster site only
	Subtotal				\$497,508.00	
	Zone 3 (currently Indiada water) Transmission and Distribution mains					
1	4 inch Class 200 PVC Pipe	1000	LF	\$18.00	\$18,000.00	Replace old 2 inch distribution pipe throughout the system
2	4 inch Class 200 PVC Pipe	10,000	LF	\$18.00	\$180,000.00	Replace old 3 inch distribution pipe throughout the system
3	6 inch Class 200 PVC pipe	500	LF	\$28.00	\$14,000.00	Upgrade the Interconnection line to a 6 inch on the existing Antelope run and Indiada water
	Subtotal				\$212,000.00	

	Total				\$2,653,862.00	
	Administration and legal fees	Appx. 2% of Construction Cost			\$48,905.46	
	Engineering Fees	5% of Construction Cost			\$132,693.10	
	Survey, Geotech, etc	5% of Construction Cost			\$132,693.10	
	Project inspection fees	1.2% of Construction Cost			\$31,846.34	
			TOTAL		\$3,000,000.00	

Completed By: Keith Dojaquez, CCI 5-6-10  
Southwestern Utility Management, Inc



# EXHIBIT 2

**East Slope/Antelope Run/Indiada Consolidated Water Company**  
**Balance Sheet as of 12/31/09**  
**Including Proforma Adjustments for WIFA Financing**

Acct. No.	ASSETS	TEST YEAR END BALANCE @ 12/31/2009	WIFA LOAN PROFORMA ADJUSTMENTS	TEST YEAR END 12/31/2009 ADJUSTED FOR WIFA LOAN
	<b>CURRENT AND ACCRUED ASSETS</b>			
131	Cash	\$ 10,461		\$ 10,461
134	Working Funds			
135	Temporary Cash Investments			-
141	Customer Accounts Receivable	(6,723)		(6,723)
146	Notes/Receivables from Associated Companies	15,114		15,114
151	Plant Material and Supplies	-		-
162	Prepayments			-
174	Miscellaneous Current and Accrued Assets	3,000		3,000
	<b>TOTAL CURRENT AND ACCRUED ASSETS</b>	\$ 21,852	\$ -	\$ 21,852
	<b>FIXED ASSETS</b>			
101	Utility Plant in Service	\$ 911,132	\$ 3,000,000	\$ 3,911,132
103	Property Held for Future Use			
105	Construction Work In Progress	2,854		2,854
108	Accumulated Depreciation - Utility Plant ("AD-UP")	(526,856)		(526,856)
121	Non-Utility Property			
122	Accumulated Depreciation - Non Utility ("AD-NU")			
	<b>TOTAL FIXED ASSETS</b>	\$ 387,130	\$ 3,000,000	\$ 3,387,130
	<b>TOTAL ASSETS</b>	\$ 408,982	\$ 3,000,000	\$ 3,408,982

**East Slope/Antelope Run/Indiada Consolidated Water Company**  
**Balance Sheet as of 12/31/09 (continued)**  
**Includes Proforma Adjustments for WIFA Financing**

Acct. No.	LIABILITIES	TEST YEAR END BALANCE @ 12/31/2009	WIFA LOAN PROFORMA ADJUSTMENTS	TEST YEAR END 12/31/2009 ADJUSTED FOR WIFA LOAN
	<b>CURRENT LIABILITIES</b>			
231	Accounts Payable	\$ 89,203		\$ 89,203
232	Notes Payable (Current Portion)			-
234	Notes/Accounts Payable to Associated Companies	35,114		35,114
235	Customer Deposits	27,723		27,723
236	Accrued Taxes	(19)		(19)
237	Accrued Interest			-
241	Miscellaneous Current and Accrued Liabilities			-
	<b>TOTAL CURRENT LIABILITIES</b>	\$ 152,021	\$ -	\$ 152,021
	<b>LONG-TERM DEBT (Over 12 Months)</b>			
224	Long-Term Notes and Bonds	\$ 155,423	\$ 3,000,000	\$ 3,155,423
	<b>DEFERRED CREDITS</b>			
251	Unamortized Premium on Debt			
252	Advances in Aid of Construction	\$ 47,579		\$ 47,579
255	Accumulated Deferred Investment Tax Credits	-		
271	Gross Contributions in Aid of Construction			-
272	Less: Amortization of contributions			-
281	Accumulated Deferred Income Tax			-
	<b>TOTAL DEFERRED CREDITS</b>	\$ 47,579	\$ -	\$ 47,579
	<b>TOTAL LIABILITIES</b>	\$ 355,023	\$ 3,000,000	\$ 3,355,023
	<b>CAPITAL ACCOUNTS</b>			
201	Common Stock Issued	\$ 46,300		\$ 46,300
211	Paid in Capital in Excess of Par Value	38,996		38,996
215	Retained Earnings	(49,890)		(49,890)
218	Proprietary Capital (Sole Props and Partnerships)	\$ 18,553		18,553
	<b>TOTAL CAPITAL</b>	\$ 53,959	\$ -	\$ 53,959
	<b>TOTAL LIABILITIES AND CAPITAL</b>	\$ 408,982	\$ 3,000,000	\$ 3,408,982

# EXHIBIT 3

**East Slope/Antelope Run/Indiada Consolidated Water Company**  
**Income Statement from January through December of 2009**  
**Includes Proforma and WIFA Financing Adjustments**

Description	Actual for Test Year Ended 31-Dec-09	Proforma Adjustments Including WIFA Loan	Test Year Results After Pro Forma Adjustments	Proposed Rate Increase	Adjusted Test Year With Rate Increase
<b>Operating Revenues:</b>					
461 Metered Water Revenue	\$ 281,796	\$ -	\$ 281,796	\$ 413,616	\$ 695,412
461.1 Surcharge Revenue	14,519	(14,519)	0		
474 Other Water Revenue	3,724		3,724		3,724
<b>Total Operating Revenue</b>	<b>\$ 300,040</b>	<b>\$ (14,519)</b>	<b>\$ 285,521</b>	<b>\$ 413,616</b>	<b>\$ 699,136</b>
<b>Operating Expenses:</b>					
601 Salaries & Wages	\$ (958)	\$ 958	\$ -		\$ -
610 Purchased Water	1,700	(1,700)	-		-
615 Purchased Power	72,314	-	72,314		72,314
618 Chemicals	792	-	792		792
620 Repairs & Maintenance	15,953	-	15,953		15,953
621 Office Supplies and Expense	13,078	-	13,078		13,078
630 Outside Services	126,817	-	126,817		126,817
635 Water Testing	8,008	-	8,008		8,008
641 Rental Expense	-	-	-		-
650 Transportation Expense	21,419	-	21,419		21,419
657 Insurance - General Liability	6,565	-	6,565		6,565
659 Insurance - Health and Life	-	-	-		-
666 Rate Case Expense	4,618	8,000	12,618		12,618
675 Miscellaneous Expense	229	-	229		229
403 Depreciation & Amortization	27,353	128,813	156,166		156,166
408 Property Taxes	(169)	169	-		-
408.1 Taxes Other Than Income	19,976	-	19,976		19,976
409 Income Taxes	7,521	(108,775)	(101,254)	165,488	64,234
<b>Total Operating Expenses</b>	<b>\$ 325,216</b>	<b>\$ 27,465</b>	<b>\$ 352,681</b>	<b>\$ 165,488</b>	<b>\$ 518,169</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>\$ (25,176)</b>	<b>\$ (41,984)</b>	<b>\$ (67,160)</b>	<b>\$ 248,128</b>	<b>\$ 180,968</b>
<b>Other Income/(Expense):</b>					
419 Interest Income	\$ -		\$ -	\$ -	\$ -
421 Non-Utility Income	-		-		-
426 Misc Non-Utility Expenses	-		-		-
427 Interest Expense	(1,550)	(147,965)	(149,515)		(149,515)
<b>Total Other Income/(Expense)</b>	<b>\$ (1,550)</b>	<b>\$ (147,965)</b>	<b>\$ (149,515)</b>	<b>\$ -</b>	<b>\$ (149,515)</b>
<b>NET INCOME/(LOSS)</b>	<b>\$ (26,726)</b>	<b>\$ (189,949)</b>	<b>\$ (216,675)</b>	<b>\$ 248,128</b>	<b>\$ 31,453</b>

**East Slope/Antelope Run/Indiada Consolidated Water Company**  
**Utility Plant in Service and Depreciation Expense**  
**Includes Proforma Adjustments for WIFA Financing**

Acct. No.	Description	ORIGINAL COST @ TEST YEAR END 12/31/2009	WIFA LOAN PROFORMA ADJUSTMENTS	TEST YEAR INCLUDING WIFA ADJUSTMENTS	PROPOSED DEPRECIATION RATES	PROPOSED DEPRECIATION EXPENSE
301	Organization					
302	Franchises	\$ 2,180		\$ 2,180		
303	Land and Land Rights	1,194		1,194		\$ -
304	Structures and Improvements	2,014		2,014	3.3300%	67
307	Wells and Springs	103,027		103,027	3.3300%	3,431
310	Power Generation Equipment	-	218,738	218,738	5.0000%	10,937
311	Electric Pumping Equipment	365,545	158,556	524,101	12.5000%	65,513
320	Water Treatment Equipment	-		-		-
320.1	Water Treatment Plants	-		-	3.3300%	-
320.2	Solution Chemical Feeders	-		-	20.0000%	-
330	Distrib Reservoirs/Standpipes	3,167		3,167	3.6100%	114
330.1	Storage Tanks	26,421	508,693	535,114	2.2200%	11,880
330.2	Pressure Tanks	-		-	5.0000%	-
331	Transmission and Distrib Mains	311,056	2,114,013	2,425,069	2.0000%	48,501
333	Services	-		-	3.3300%	-
334	Meters	13,426		13,426	8.3300%	1,118
335	Hydrants	-		-	2.0000%	-
336	Backflow Prevention Devices	-		-	6.6700%	-
339	Other Plant & Misc Equipment	-		-	6.6700%	-
340	Office Furniture and Equip	15,119		15,119	6.6700%	1,008
340.1	Computers & Software	-		-	20.0000%	-
341	Transportation Equipment	67,983		67,983	20.0000%	13,597
343	Tools, Shop & Garage Equip.			-	5.0000%	-
344	Laboratory Equipment			-	10.0000%	-
345	Power Operated Equipment			-	5.0000%	-
346	Communications Equipment			-	10.0000%	-
347	Miscellaneous Equipment			-	10.0000%	-
348	Other Tangible Plant			-	5.0000%	-
	<b>TOTALS</b>	<b>\$ 911,132</b>	<b>\$ 3,000,000</b>	<b>\$ 3,911,132</b>		<b>\$ 156,166</b>